ACE HARDWARE REPORTS FIRST QUARTER 2024 RESULTS

- *First quarter revenues of $2.1 billion, an increase of 2.5 percent*
- *First quarter net income of $46.9 million, a decrease of 29.2 percent*
- *Accrued patronage dividend to shareholders of $76.5 million, a decrease of 13.5 percent from the first quarter of 2023*
- *Ranked the #5 best franchise in the world according to Entrepreneur Magazine*

OAK BROOK, Ill. , May 15, 2024 /PRNewswire/ -- Ace Hardware Corporation ("Ace" or the "Company") today reported first quarter 2024 revenues of $2.1 billion, an increase of $51.6 million, or 2.5 percent, from the first quarter of 2023. Net income was $46.9 million for the first quarter of 2024, a decrease of $19.3 million from the first quarter of 2023. This decrease was planned in anticipation of higher operating expenses and increased interest expense.

"Despite strong headwinds in California and Florida, our $51.6 million of sales growth was fueled primarily by our 78 new domestic Ace stores, acquisitions by our Ace Home Services business, a 0.4 percent increase in same-store sales, and a 9 percent increase in our digital business," said John Venhuizen, President and CEO. "I want to thank the entire Ace team for their extraordinary efforts, particularly as it pertains to our 2.9 percent increase in same-store gross profit, and the 47 percent increase in our digital business through the Ace App."

The approximately 3,700 Ace retailers who share daily retail sales data reported a 0.4 percent increase in U.S. retail same-store-sales during the first quarter of 2024, which was the result of a 1.1 percent increase in average ticket; partially offset by a 0.7 percent decrease in same-store transactions.

Revenues

Consolidated revenues for the quarter ended March 30, 2024 totaled $2.1 billion. Total wholesale revenues were $2.0 billion, an increase of $38.9 million, or 2.0 percent, as compared to the prior year first quarter. Increases were seen across many departments with outdoor power equipment, power tools and lawn and garden showing the largest gains.

Wholesale merchandise revenues to new domestic stores activated from January 2023 through March 2024 contributed $60.4 million of incremental revenues during the first quarter of 2024, while wholesale merchandise revenues decreased $24.8 million during the first quarter due to domestic stores whose memberships were cancelled. Wholesale merchandise revenues to comparable domestic stores decreased $10.4 million for the quarter. The Company's Ace International Holdings, Ltd. subsidiary experienced a $5.0 million decrease in wholesale revenue versus the first quarter of 2023, while Ace Wholesale Holdings LLC reported a $6.7 million decrease in wholesale revenues from the first quarter of 2023. The Company's Ace Services Holdings LLC ("ASH") subsidiary, which is reported as part of the Company's wholesale business, experienced a $30.5 million increase in wholesale revenues from the first quarter of 2023. This is due to the acquisition of Unique Indoor Comfort Holdings, LLC ("UICH") during the second quarter of 2023.

Total retail revenues from Ace Retail Holdings LLC ("ARH") for the quarter were $160.9 million, an increase of $12.7 million, or 8.6 percent, as compared to the prior year first quarter. The Westlake Ace Hardware ("Westlake") chain experienced a 6.5 percent increase in same-store-sales while the Great Lakes Ace Hardware ("GLA") chain experienced a 3.5 percent increase in same-store-sales in the quarter. The new stores opened by Westlake and GLA since the end of the fourth quarter of 2022 contributed $4.1 million of incremental revenues during the first quarter of 2024. Westlake and GLA together operated 236 stores at the end of the first quarter of 2024 compared to 230 stores at the end of the first quarter of 2023.

Ace added 78 new domestic stores in the first quarter of 2024 and cancelled 7 stores. The Company's total domestic store count was 5,065 at the end of the first quarter of 2024, which was an increase of 164 stores from the first quarter of 2023. On a worldwide basis, Ace added 82 stores in the first quarter of 2024 and cancelled 7, bringing the worldwide store count to 5,945 at the end of the first quarter of 2024.

Gross Profit

Wholesale gross profit for the three months ended March 30, 2024 was $254.3 million, an increase of $1.7 million from the first quarter of 2023. The wholesale gross margin percentage was 12.9 percent of wholesale revenues in the first quarter of 2024, down slightly from 13.0 percent in the first quarter of 2023. The decrease in wholesale gross margin percentage was primarily driven by an unfavorable mix shift.

Retail gross profit for the three months ended March 30, 2024 was $75.7 million, an increase of $5.7 million from the first quarter of 2023. The retail gross margin percentage was 47.0 percent of retail revenues in the first quarter of 2024, down slightly from 47.2 percent in the first quarter of 2023. The decline in retail gross margin percentage primarily resulted from product mix. For ARH, retail gross profit is based on the Company's wholesale acquisition cost of product, not ARH's acquisition cost, which includes a markup from the Company.

Expenses and Other

Wholesale operating expenses increased $24.7 million, or 13.9 percent, from the first quarter of 2023. The increase is primarily due to the acquisition of UICH, which added $17.0 million of incremental operating expenses. Wholesale operating expenses as a percent of wholesale revenue was 10.2 percent, up from 9.2 percent in first quarter of 2023.

Retail operating expenses increased $1.5 million, or 2.1 percent, from the first quarter of 2023. This increase was primarily driven by expenses incurred related to the new stores added since the end of the fourth quarter of 2022. Retail operating expenses as a percent of retail revenue improved to 44.6 percent in the first quarter of 2024 from 47.4 percent in the first quarter of 2023.

Interest expense increased $5.9 million from the first quarter of 2023 due to increased borrowings for the acquisition of UICH and higher interest rates.

Other income, net increased $1.5 million primarily due to the absence of UICH acquisition fees recognized in the first quarter of 2023.

Balance Sheet and Cash Flow

Receivables increased $63.9 million from the first quarter of 2023 due to higher sales volumes.

Inventories decreased $121.1 million from the first quarter of 2023 primarily as a result of efforts to reduce overstock inventory.

Long-term debt, including current maturities, increased $301.5 million versus the first quarter of 2023. At the end of the first quarter of 2024, long-term debt consisted of $374.7 million outstanding on the revolving credit facility, $59.6 million outstanding on the Westlake credit facility, and $46.2 million owed to former retailers.

About Ace Hardware

Ace Hardware is the largest retailer-owned hardware cooperative in the world with over 5,900 locally owned and operated hardware stores in approximately 60 countries. Headquartered in Oak Brook, Ill., Ace and its subsidiaries operate an expansive network of distribution centers in the U.S. and have distribution capabilities in Ningbo, China; and Cuautitlán Izcalli, Mexico. Since 1924, Ace has been a part of local communities around the world and known as the place with the helpful hardware folks. For more information, visit acehardware.com or newsroom.acehardware.com.

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ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in millions)

	Three Months Ended	
	March 30, 2024 (13 Weeks)	April 1, 2023 (13 Weeks)
Revenues:		
Wholesale revenues	$ 1,976.9	$ 1,938.0
Retail revenues	160.9	148.2
Total revenues	2,137.8	2,086.2
Cost of revenues:		

Wholesale cost of revenues	1,722.6	1,685.4
Retail cost of revenues	85.2	78.2
Total cost of revenues	1,807.8	1,763.6
Gross profit:		
Wholesale gross profit	254.3	252.6
Retail gross profit	75.7	70.0
Total gross profit	330.0	322.6
Wholesale operating expenses:		
Distribution operations expenses	68.9	66.5
Selling, general and administrative expenses	84.1	67.2
Retailer success and development expenses	49.6	44.2
Retail operating expenses	71.7	70.2
Retail pre-opening expenses	0.6	1.4
Total operating expenses	274.9	249.5
Operating income	55.1	73.1
Interest expense	(12.2)	(6.3)
Interest income	1.9	1.3
Other income, net	2.2	0.7
Income tax expense	(0.1)	(2.6)
Net income	46.9	66.2
Less: net loss attributable to noncontrolling interests	(0.3)	(0.4)
Net income attributable to Ace Hardware Corporation	$ 47.2	$ 66.6
Patronage distributions accrued	$ 76.5	$ 88.4
Patronage distributions accrued for third party Retailers	$ 72.0	$ 83.8

ACE HARDWARE CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	March 30, 2024	December 30, 2023	April 1, 2023
Assets	**(Unaudited)**	**(Audited)**	**(Unaudited)**
Cash and cash equivalents	$ 33.6	$ 31.9	$ 46.4
Marketable securities	50.0	49.4	49.7
Receivables, net of allowance for doubtful accounts of $13.9, $12.1 and $9.0, respectively	883.2	674.4	819.3
Inventories	1,330.3	1,235.1	1,451.4
Prepaid expenses and other current assets	75.2	69.9	57.8
Total current assets	2,372.3	2,060.7	2,424.6
Property and equipment, net	547.3	541.0	480.8
Operating lease right-of-use assets, net	653.1	668.0	677.2
Finance lease right-of-use assets, net	121.6	123.9	121.1
Goodwill and other intangible assets, net	411.6	410.9	106.7
Other assets	159.8	153.1	141.6
Total assets	$ 4,265.7	$ 3,957.6	$ 3,952.0
Liabilities and Equity			
Current maturities of long-term debt	$ 78.3	$ 49.1	$ 56.1
Accounts payable	1,386.0	1,081.5	1,440.6
Patronage distributions payable in cash	166.6	137.1	167.5
Patronage refund certificates payable	29.0	29.1	23.0
Current operating lease liabilities	86.9	88.5	71.7
Current finance lease liabilities	26.2	25.6	20.3

Accrued expenses	218.0	292.0	202.6
Total current liabilities	1,991.0	1,702.9	1,981.8
Long-term debt	402.2	359.2	122.9
Patronage refund certificates payable	164.1	149.6	121.7
Long-term operating lease liabilities	588.7	603.2	629.5
Long-term finance lease liabilities	96.6	100.4	99.3
Other long-term liabilities	122.3	120.9	106.9
Total liabilities	3,364.9	3,036.2	3,062.1
Member Retailers' Equity:			
Class A voting common stock, $1,000 par value, 10,000 shares authorized, 2,616, 2,615 and 2,659 issued and outstanding, respectively	2.6	2.6	2.7
Class C nonvoting common stock, $100 par value, 10,000,000 shares authorized, 7,083,302, 7,226,176 and 6,396,829 issued and outstanding, respectively	708.3	722.6	639.7
Class C nonvoting common stock, $100 par value, issuable to retailers for patronage distributions, 1,086,986, 897,317 and 1,486,130 shares issuable, respectively	108.7	89.7	148.6
Contributed capital	19.2	19.2	19.1
Retained earnings	53.3	78.2	70.0
Accumulated other comprehensive income (loss)	0.1	0.3	(1.1)
Equity attributable to Ace member retailers	892.2	912.6	879.0
Equity attributable to noncontrolling interests	8.6	8.8	10.9
Total equity	900.8	921.4	889.9
Total liabilities and equity	$ 4,265.7	$ 3,957.6	$ 3,952.0

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three Months Ended	
	March 30, 2024 (13 Weeks)	**April 1, 2023 (13 Weeks)**
Operating Activities		
Net income	$ 46.9	$ 66.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	24.1	20.3
Non cash lease expense	7.3	6.1
Amortization of deferred financing costs	0.2	0.6
Loss on the disposal of assets, net	-	2.6
Provision for doubtful accounts	1.4	2.8
Other, net	(1.8)	(0.3)
Changes in operating assets and liabilities, exclusive of effects of acquisitions:		
Receivables	(221.9)	(183.8)
Inventories	(95.2)	(146.6)
Other current assets	(5.3)	2.0
Other long-term assets	(3.5)	(3.2)
Accounts payable and accrued expenses	258.9	208.6
Other long-term liabilities	2.7	2.6
Deferred taxes	(0.6)	(0.1)
Net cash provided by (used in) operating activities	13.2	(22.2)
Investing Activities		
Purchases of investment securities	(6.5)	(4.2)
Proceeds from sale of investment securities	5.5	8.0
Purchases of property and equipment	(34.4)	(43.7)

Cash paid for acquired businesses, net of cash acquired	-	(2.3)
Increase in notes receivable, net	(10.7)	(6.7)
Other, net	0.1	(0.2)
Net cash used in investing activities	(46.0)	(49.1)
Financing Activities		
Net borrowings under revolving lines of credit	72.3	135.6
Principal payments on long-term debt	(4.8)	(3.9)
Payments of debt issuance costs	-	(4.4)
Principal portion of finance lease payments	(8.3)	(8.9)
Payments of patronage refund certificates	(22.5)	(26.6)
Repurchase of stock	(2.6)	(2.8)
Purchase of noncontrolling interests	(0.2)	(0.2)
Other, net	0.6	0.4
Net cash provided by financing activities	34.5	89.2
Increase in cash and cash equivalents	1.7	17.9
Cash and cash equivalents at beginning of period	31.9	28.5
Cash and cash equivalents at end of period	$ 33.6	$ 46.4
Supplemental disclosure of cash flow information:		
Interest paid	$ 14.0	$ 7.3
Income taxes paid	$ 0.7	$ 0.3

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